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West European Policy Toward Libya

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An Intelligence Memorandum

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EUR 82-10001
January 1982

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An Intelligence Memorandum

Information available as of 18 December 1981 has been used in the preparation of this report.

This paper was prepared by
Office of European Analysis. 25X1
Comments and queries are welcome and may be directed to the Chief, Western Europe Division, EURA, 25X1

This paper was coordinated with the Office of Global Issues and the Office of Near East–South Asia Analysis. 25X1

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West European Policy Toward Libya

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Summary

While US-Libyan relations have deteriorated, West European governments have sought to maintain—and in some cases improve—their ties with Tripoli. The Europeans see themselves as forestalling the growth of closer Libyan-Soviet ties and countering any notion among moderate Arabs that the West is "ganging up" on Libya.

West European motives and tactics differ between north and south. Because they are geographically closer and more strongly tied to Libya economically, governments in southern Europe are both more wary of Qadhafi and even less willing than their northern neighbors to toughen their policies toward Libya.

In the absence of clear signs that Qadhafi is becoming increasingly aggressive, Western Europe will probably continue to react negatively to US pressure for a harder political or economic line against Libya. A Libyan attack on US leaders or major US political or military interests would be likely to evoke a West European reaction similar to that in the Iran hostage crisis, although the Europeans probably would not agree to measures as broad or long-lasting as Washington would prefer.

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West European Policy Toward Libya

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How Western Europe Views Libya

West European nations are on a divergent course from the United States in their policies toward Libya. While US-Libyan relations have deteriorated, West European governments have sought to maintain—and in some cases, improve—their ties with Tripoli. Fundamental to European actions is fear that treating Libya as an outcast might lead Qadhafi to turn further toward the USSR and give the Soviets an even stronger foothold in North Africa. The Europeans recognize that Moscow already has substantial influence in Tripoli and that Libyan actions often serve Soviet interests. Nonetheless, they do not see Qadhafi as a Soviet proxy. Rather, they regard him as a radical Arab nationalist with a penchant for adventurism.

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In fact, Qadhafi's ties to the Arab world figure nearly as strongly as concerns about the Soviets in the West Europeans' reluctance to isolate the Libyan leader. Europeans fear that moderate Arabs would feel compelled to rally around Qadhafi if the West appeared to be "ganging up" on Tripoli and that Arab support might not only give Qadhafi a better image in the Third World than they would like him to have but could also conceivably reduce European access to Middle Eastern oil and markets. Finally, the West Europeans have been willing to put up with many of Qadhafi's excesses—even at some cost to their pride—in the interest of maintaining ties which they hope will have a moderating influence on him over the longer run.

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Differences Between North and South

The north European states, whose relations with Libya soured significantly last winter and spring—most notably France and Britain—are now seeking to improve political relations with Tripoli. In justification, they point to what they perceive as recent signs of moderation in Qadhafi's behavior, as well as to general dangers associated with isolating Libya. The north Europeans are also motivated to some degree by hopes of improving economic ties. At present, Libya is neither a major export market nor an important energy supplier for north European states. But Europe's export picture is grim, and the desire to expand exports partly explains the unwillingness to contemplate restrictions on trade with Libya. Their belief that economic boycotts are ineffective reinforces the northern Europeans' view.

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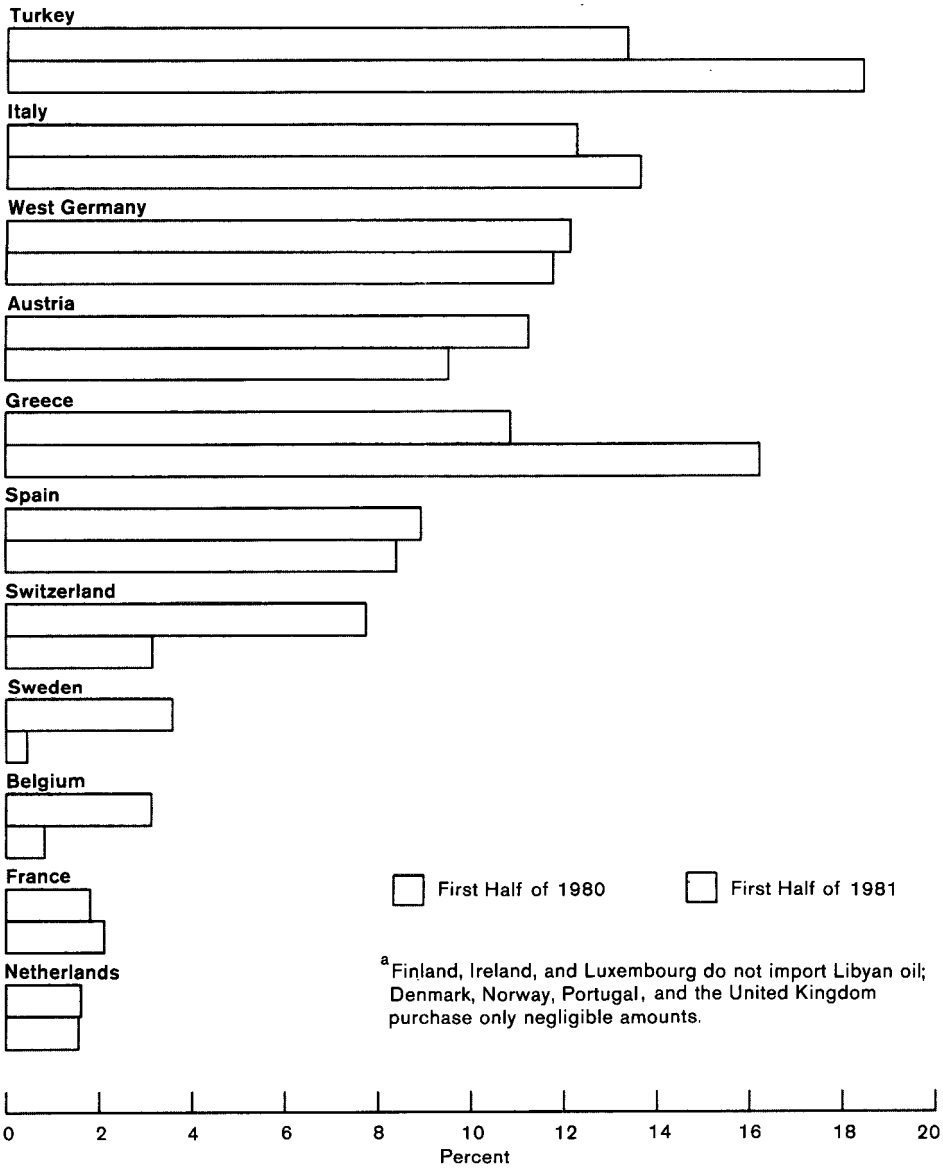
Figure 1
Share of West European Petroleum Imports Supplied by Libya[a]



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South European states—particularly Italy, Turkey, Greece, and Spain—believe that geographic proximity to Libya compels them to maintain normal political ties with Tripoli. Normal is not, however, synonymous with cordial. While these countries believe their interest lies in keeping channels of communication open, they are wary of the menace to domestic and international security that Qadhafi poses. The Libyan leader's September threats against military bases in the Mediterranean are still too fresh in their minds for them to believe—as their northern neighbors do—that Qadhafi's behavior has been more moderate of late. 25X1

At the same time, proximity and economic complementarity have fostered close economic ties between Libya and these four states. In the first half of 1981, each of the four received a significant share of its oil imports from Libya. During the same period, Libya took 4.7 percent of southern exports, compared with 0.7 percent of northern overseas sales. The Mediterranean states have been the major beneficiaries of the latest Qadhafi spending spree, which this year led to a 45-percent increase in Libyan imports from Europe. They may continue to profit on this scale, although Libya's poor revenue outlook suggests that Tripoli will be unable to continue increasing imports at such a pace much beyond 1982. Tripoli already is reported to be restricting imports of consumer items. While the Europeans have not voiced concern about the ramifications of Libya's cash-flow problems, they continue to denounce Tripoli's record of slow payment. 25X1

Tripoli Values European Links

Tripoli values Western Europe both as a supplier for Qadhafi's ambitious military and economic development plans and as an export market for Libyan crude. In 1980 the Big Four European countries—West Germany, France, Italy, and the United Kingdom—filled half of Libya's import needs. Italy alone captured one-fourth of the Libyan import market. Libya received an additional 15 percent of its imports from the smaller European countries. Moreover, West European banks are important repositories for Libyan assets. As much as $9 billion in Libyan funds was on deposit there at midyear. During 1980 Libya earned $11 billion—almost half of its total revenues—by selling oil and natural gas to Western Europe. Europe's reliance on Libyan oil (recently about 7 percent of European oil imports) showed signs of declining beginning in the third quarter of 1981, as several countries shifted to less costly suppliers. By mid-1982, when oil demand in industrialized countries is expected to pick up, Libyan crude shipments to Europe are likely to increase again. 25X1

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Figure 2

Share of West European Exports Purchased by Libya

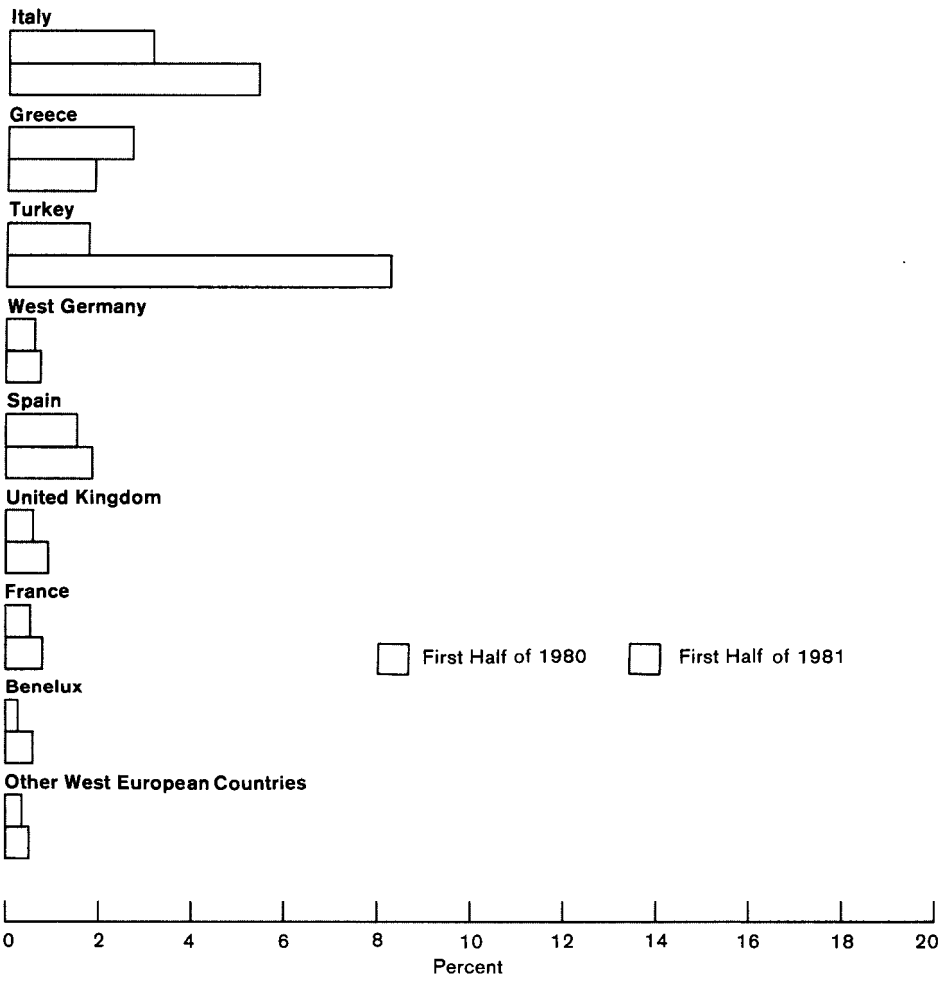

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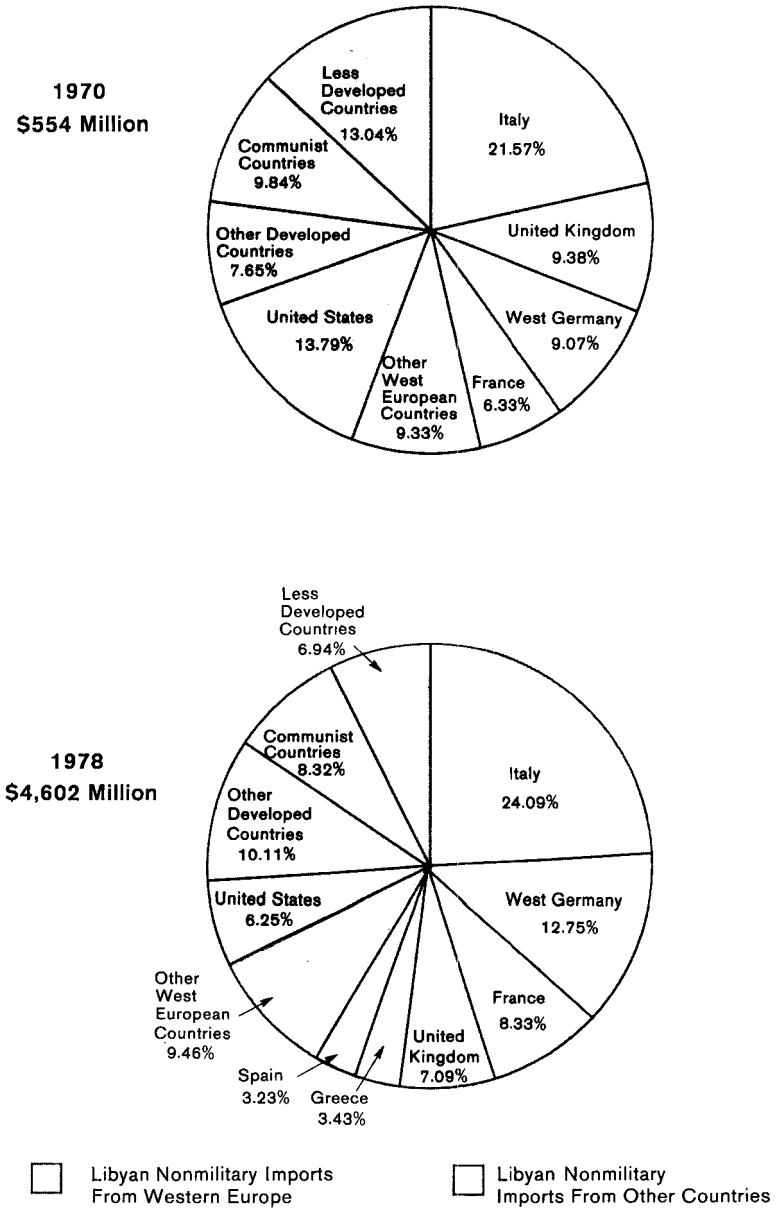
Figure 3

Geographical Composition of Libyan Nonmilitary Imports



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The "Northern Tier"

France has a history of problems with Libya, largely because of competing interests in Africa. The French see Qadhafi as unpredictable and often irrational, and they are deeply suspicious of his intentions and activities. At the same time, they assert that his importance in global or regional politics should not be exaggerated. They do not view Qadhafi as a pawn of the Soviet Union, although they believe he has acted on occasion to serve specific Soviet foreign policy goals. The French believe that Qadhafi's behavior can be moderated by the warnings and incentives they are now issuing. 25X1

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France's major interest regarding Libya is to deter further meddling in former French colonies. The Mitterrand government has pursued this goal quietly and pragmatically, portraying its accession to power as an opportunity to improve relations between the two countries—if the Libyans satisfy certain conditions. The French Government told Qadhafi several months ago that normalization was possible if Libyan troops left Chad and if the French Embassy in Tripoli—sacked by a mob in 1979—were restored. The French believe that these conditions are being met. The Political Director of the Ministry of Foreign Affairs visited Tripoli in early December, signaling that relations were returning to normal. 25X1

From the French perspective, which is focused largely on Africa, Qadhafi has moderated his behavior in recent months. Paris attributes this to Qadhafi's desire to improve his image among the Africans, to prevent cancellation of the OAU summit to be held in Tripoli next summer, and to have good relations with Western Europe. The recent public statements by French officials that Libya is no longer involved in undermining African governments probably reflects a wish to give Qadhafi credit for what the French hope is a new policy direction. 25X1

The French realize that their willingness to improve the dialogue with Libya clashes with the US approach, and they are concerned that the deterioration in US-Libyan relations could undermine their policy at a sensitive moment for their own interests in Africa. Like French governments for the past two decades, the Mitterrand administration believes that division of the world into blocs is not in French or Western interests. The government argues that "bad" countries—such as Libya—should not be purposely isolated from the West and thereby forced into the Soviet camp. They also worry that treating Qadhafi as a pariah might provoke him to further excesses. 25X1

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Paris has told the United States that it will fulfill contracts with Libya for military equipment ordered under the previous French Government, but will slow down deliveries. The government has said that it plans no further weapons deals with Tripoli. The French probably would require evidence of sustained satisfactory conduct on Qadhafi's part before changing that policy. 25X1

The French attitude about other sales to Libya—including some with possible military applications—reflects traditional skepticism about economic sanctions. The French have contended over the years that embargoes are easily circumvented and hurt the exporting country more than the target country. Although the volume of French exports to Libya is low, some sales are in sectors—such as aerospace—that the government wants to promote. Paris probably will continue to resist suggestions that it should prevent sales of items such as the French–British–West German Airbus, 10 of which are being sold to Libya. 25X1

Libyan oil constitutes only a small fraction of France's overall oil imports. Hence the oil factor probably has little impact on French policy. 25X1

The *West German* Government has developed fairly smooth relations with Libya during the past few years and hopes that this situation will continue. The West Germans see Qadhafi as eccentric and probably mentally unstable. They also concede that he is influenced by the Soviets, but they believe that he is motivated at least as strongly by his vision of Arab nationalism. In the West German view, Qadhafi has often resisted Soviet pressures because he senses conflicts between Soviet policies and Arab political and religious goals. The West Germans share the general West European perception that Libya would be a greater menace to Western security if it were totally in the Soviet camp. 25X1

Recently the West Germans have been guardedly optimistic about Libya. The Foreign Ministry has suggested to US officials that Qadhafi may soon discard the use of assassination squads and other terrorist tactics. The West Germans have even contended that Qadhafi might be won over to the West through political maneuvering and conciliatory gestures. 25X1

One of Bonn's goals in maintaining relations with Libya has been to curtail Libyan violence in West Germany. To this end, the Minister of Interior has cultivated a working relationship with the chief of Libyan security, and the West German national criminal police authority has at times included Libyan officers in its antiterrorist training courses. The government believes that its policies have had a moderating effect on Qadhafi. 25X1

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West Germany's policy toward Libya is shaped more by political than economic considerations. Sales to Libya constituted only 0.65 percent of total exports in 1980. Although the West Germans do not permit military hardware to be exported to Libya, they have shown no willingness to restrict sales to that country for political or strategic reasons. 25X1

Approximately 15 percent of West Germany's crude oil imports came from Libya in 1980, and the government is not trying to reduce that figure. Although a cutoff of Libyan supplies would inconvenience West Germany, the oil could be replaced from other sources. 25X1

The *British* Government is trying to improve relations with Tripoli, which reached a low point last spring when London expelled Libyan diplomats. London claims that Tripoli has promised a cessation of violence against Libyan dissidents in the United Kingdom. During a recent House of Lords debate on policy toward Libya, a government spokesman asserted that a constructive dialogue with the Libyans boded well for the future. While the belief that it is unwise to isolate Libya led to a reevaluation of British policy regarding Tripoli, London's assessment of Qadhafi has not changed. The Thatcher government continues to regard the Libyan leader primarily as an independent force obsessed with a messianic determination to export revolutionary principles. It believes, however, that Libya's ties with the Communists are rooted in a determination to destroy Israel rather than in anti-Americanism. London continues to voice fear that any further Western pressure risks pushing Qadhafi firmly into the Soviet camp. 25X1

Although economic ties currently are minimal, Britain is anxious to expand markets for its goods, and thus opposes restrictions on trade with Libya. Sales to Libya—even though up over last year—accounted for less than 1 percent of British exports in the first half of 1981. As relations between the two countries worsened over the past three years, government-sanctioned arms sales declined dramatically. Nonetheless, the British—together with the French and the West Germans—appear determined to follow through on the Airbus sale and they probably will resist any US pressure to block it. As a producer of oil similar to North African crude and a net oil exporter, the United Kingdom has little need for Libyan oil. 25X1

The *Benelux* governments generally are no more willing than the larger West European countries to toughen their political or economic stance toward Libya. Secure in the knowledge that EC members would not agree to a tougher policy in present circumstances, spokesmen have told US officials that their countries would go along with any trade restrictions the EC might impose. The Benelux countries frequently repeat the belief common in West European political circles that isolating Libya would be a mistake. 25X1

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Belgian firms currently sell a wide variety of small arms, munitions, and mines to Libya. In late October, the Belgians told the United States that they would fulfill existing contracts but were not inclined to license further arms sales as long as the Libyans were in Chad. The Libyan withdrawal, however, makes a cutoff of Belgian weapons uncertain at best. The Belgian Government might still be persuaded to refuse export licenses for weapons, especially if the French do so, but Brussels seems at least equally likely to plead impotence or argue that continued sales give the West leverage against Qadhafi. 25X1

The chances that Belgium would place restrictions on spare parts for airliners appear even smaller. Only a higher level of Libyan aggressiveness might persuade the Belgians to restrict sales of "civilian" products.

The Netherlands also is skeptical about the wisdom and usefulness of restricting the export of nonmilitary items to Libya. Moreover, in response to US demarches, Dutch officials have claimed that they have no legal authority to stop sales of aircraft. Like the Belgians, they are unlikely to toughen their policy under present circumstances. 25X1 25X1

Luxembourg has some importance to Libya because it has been used in circumventing US laws when Libya has purchased US-made aircraft. There are indications that officials of both Cargolux—a private airline—and the government have accepted Libyan bribes either to assist or ignore the activities. Government leaders, aware of this problem, have assured the United States that steps are being taken to solve the problem, although the Foreign Minister recently expressed annoyance at continued US pressure regarding this issue. 25X1

The "Southern Tier"

A range of economic and political concerns helps shape *Italy's* policy toward its former colony. At one end is the concern that bilateral problems might endanger access to Italy's largest non-European market and might tempt Qadhafi to hold hostage the more than 20,000 Italians working in Libya. At the other end is a conviction that Italy has a special role to play for the West in Libya—a country Rome sees as logically falling into its sphere of influence. Italian leaders believe that the relationship serves as a brake on Qadhafi and as a counterweight to Soviet influence. If a genuine crisis developed over Libya, Rome would like to be able to play at least a mediating role. Over the longer term, the Italians see themselves as laying the groundwork for relations with a post-Qadhafi government. 25X1

Italy has been one of the main beneficiaries of Qadhafi's recent spending binge. Libya's share of total Italian exports rose from 3.1 percent in the first half of 1980 to 5.4 percent during the period of January to June 1981. Sectors where sales to Libya amount to at least 10 percent of total exports

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include trucks, grain, and civil engineering services. Tripoli has also been one of Italy's best customers for military equipment, buying $840 million worth since 1976. This may change if Defense Minister Lagorio's statement in September that Italy will not approve any additional sales of weapons to Libya is translated into government policy. To date, however, no other Italian Cabinet member has backed Lagorio. Even if policy on arms sales does not change, expansion of sales to Tripoli will continue to be hampered by many firms' reliance on components manufactured under US license. 25X1

During the 1970s both market forces and conscious policy decisions led to a sharp reduction in Italian dependence on Libyan energy supplies. Libya slipped from being Italy's largest energy supplier at the beginning of the 1970s to third place—after Saudi Arabia and the Soviet Union—in 1980. This trend is likely to continue during the 1980s, with additional energy needs being met primarily by Algerian, Nigerian, and Soviet natural gas, and by US coal. Although ENI—the Italian national energy concern—is a partner with the Libyan National Oil Company in one concession, it halted purchases of Libyan crude from August through November 1981. The ENI decision was spurred not only by the high cost of Libyan oil, but also by a desire to exploit Saudi willingness to resume state-to-state oil dealings after a two-year hiatus. With ENI now planning to resume liftings at previous levels, Libya will once again supply about 13 percent of Italian oil imports—approximately one-tenth of total domestic energy requirements.

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More worrisome to most Italians than the magnitude of current economic ties are Qadhafi's attempts to use Libya's oil wealth to purchase economic and political influence in Italy. Key targets so far have included:

- Fiat, in which Libya purchased a 10-percent stake in 1976.
- Sicily, where Qadhafi hopes to foment anti-NATO sentiment.
- The Italian Socialist Party, which is a member of the current government coalition.

The Libyan leader has had only limited success in this regard, but Italian concerns have been heightened by the broad and colorful coverage the press has given Qadhafi's efforts. 25X1

The *Turkish* Government also perceives Qadhafi as a threat to domestic stability. Underlying Ankara's fears are:

- A belief that Libya probably was involved in fueling sectarian differences in Turkey before the military takeover last year.

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- Concern that Qadhafi will try to export his version of Islamic fundamentalism to Turkey.
- Fear that Qadhafi will target NATO bases in Turkey in retaliation for any incidents similar to the one in the Gulf of Sidra.

The Turks are aware, however, that their economic dependence on Libya leaves them with little leverage. This dependence increased markedly in 1981, as exports to Libya soared 670 percent—making Libya Turkey's third-largest overseas market. Sales to Libya provided $280 million of badly needed foreign exchange during the period of January to September. The estimated 80,000 Turks working in Libya also eased balance-of-payments difficulties by remitting perhaps as much as $200 million in 1981. Deputy Prime Minister Ozal's visit to Tripoli in November highlighted the importance of these economic ties and provided an opportunity to:

- Discuss Libyan arrears on payments to Turkish companies.
- Sign a preliminary agreement on a $500 million Islamic holding company, which would invest in Turkish-Libyan joint ventures.
- Renew an oil contract of 50,000 barrels per day (b/d), which in 1980 supplied 18 percent of Turkey's total oil imports—9 percent of its total energy consumption.

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Prime Minister Papandreou's desire to strengthen *Greek* ties with all Arab states influences Athens' policy toward Libya. Papandreou hopes to encourage further Arab investment in Greece, strengthen trade ties, and win Arab backing in Greece's disputes with Turkey. Despite such aspirations and Tripoli's attempts to cultivate Papandreou by emphasizing Mediterranean cooperation and by contributing a small quantity of funds to his election campaign, Libyan-Greek political relations are not close. If Greek-Libyan relations should deteriorate, the health of the Greek economy would not be unduly jeopardized, even though Greece got 12 percent of its crude oil imports from Libya in 1980. Exports to Libya that year totaled $168 million, 3 percent of total overseas sales.

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While the current *Spanish* Government is not as anxious about offending the Arabs as its predecessor, fear of endangering trade ties with Arab countries continues to color Spanish policy. Libya is not an important export market for Spain but remains a significant energy supplier. The 100,000 b/d of Libyan crude and other products Spain bought in 1980 represented 9 percent of total purchases. Libya also supplies half of Spain's limited natural gas import requirements.

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Outlook

West European leaders believe that the United States has overreacted in recent months to what admittedly has been serious Libyan provocation, and they hope to see a deescalation of the war of nerves between Washington and Tripoli. Unless they see clear signs that Qadhafi represents more of a threat to their interests than they now believe he does, their reaction to US requests for cooperation against Libya is not likely to be positive. The northern countries probably will feel compelled to continue distancing themselves rhetorically from Washington's position. The southern countries, meanwhile, will be confirmed in their passive resistance to US blandishments, fearful of the unpredictable Qadhafi's reaction to US pressure. Unless Libyan policies appear to change drastically for the worse, Western Europe will continue its efforts to expand exports to Libya. Some northern governments might even consider new arms contracts with Libya if their current perception of Libyan "moderation" persists for a period of months. They would weigh carefully, but ultimately might disregard, US protests. 25X1

A Libyan attack on US leaders or major US interests probably would evoke a West European reaction similar to that in the Iran hostage crisis. While the West Europeans would continue to disagree privately with US strategy toward Libya, the importance they attach to standards of international practice and their interest in good relations with the United States would lead them to condemn the Libyan action both unilaterally and in international forums. If pressured, they would cooperate on sanctions, but as in the Iran crisis, these probably would not be as broad or as long lasting as Washington would like. There would be no question of taking military steps against Libya in the NATO context; the Allies firmly believe that NATO should not involve itself outside the European area. Bilateral military cooperation against Libya also would be highly unlikely.

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A Libyan action that was perceived as less serious than an attack on US officials, for example attachment of US assets, would provoke a much weaker response. West European governments probably would confine themselves to disapproving statements, while perhaps trying to play a mediating role. Governments also would react cautiously if a violent act occurred about which there was suspicion—but not proof—of Libyan involvement. 25X1

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A Libyan attack against the leaders or vital interests of a major West European country—which appears highly unlikely under present circumstances—would evoke a strong response from that country. The EC would have difficulty in refusing a request from the injured party for economic sanctions. Libyan action against West European property or economic interests, or increased adventurism in Africa, might interrupt and for a time reverse the process of diplomatic normalization between Western Europe and Libya, but it probably would not entail action by the EC as such. 25X1

Even a violent Libyan act would not be viewed as presaging a state of permanent hostility. The West Europeans would expect that eventually the processes of diplomacy would resume and that Libya would once again come to be treated as an acceptable interlocutor because of its role in the power balance in Africa and the Middle East 25X1

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[redacted] Office of European Analysis. 25X1
Comments and queries are welcome and may be directed to the Chief, Western Europe Division, EURA, [redacted] 25X1

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How Western Europe Views Libya

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In fact, Qadhafi's ties to the Arab world figure nearly as strongly as concerns about the Soviets in the West Europeans' reluctance to isolate the Libyan leader. Europeans fear that moderate Arabs would feel compelled to rally around Qadhafi if the West appeared to be "ganging up" on Tripoli and that Arab support might not only give Qadhafi a better image in the Third World than they would like him to have but could also conceivably reduce European access to Middle Eastern oil and markets. Finally, the West Europeans have been willing to put up with many of Qadhafi's excesses—even at some cost to their pride—in the interest of maintaining ties which they hope will have a moderating influence on him over the longer run.

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Differences Between North and South

The north European states, whose relations with Libya soured significantly last winter and spring—most notably France and Britain—are now seeking to improve political relations with Tripoli. In justification, they point to what they perceive as recent signs of moderation in Qadhafi's behavior, as well as to general dangers associated with isolating Libya. The north Europeans are also motivated to some degree by hopes of improving economic ties. At present, Libya is neither a major export market nor an important energy supplier for north European states. But Europe's export picture is grim, and the desire to expand exports partly explains the unwillingness to contemplate restrictions on trade with Libya. Their belief that economic boycotts are ineffective reinforces the northern Europeans' view.

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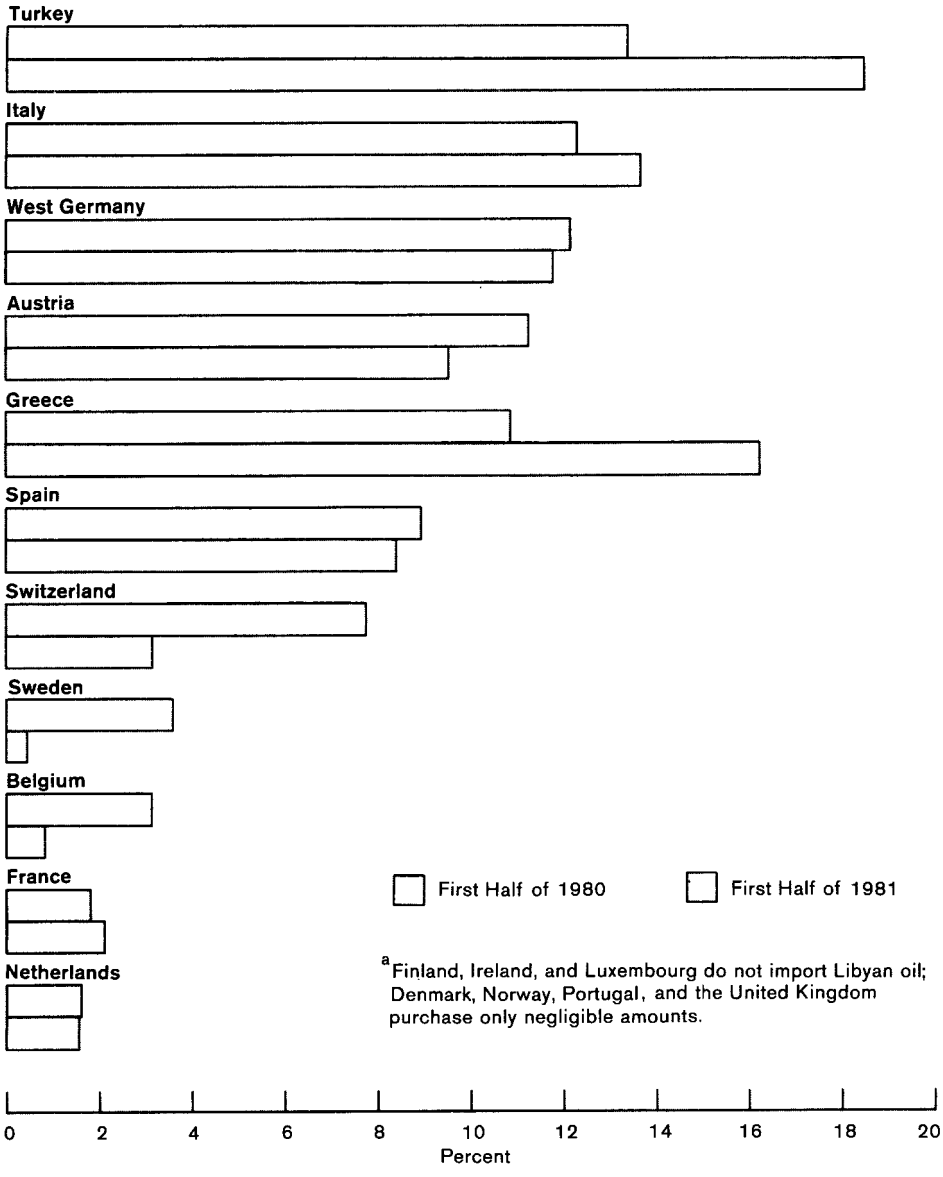
Figure 1
Share of West European Petroleum Imports Supplied by Libya[a]



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South European states—particularly Italy, Turkey, Greece, and Spain—believe that geographic proximity to Libya compels them to maintain normal political ties with Tripoli. Normal is not, however, synonymous with cordial. While these countries believe their interest lies in keeping channels of communication open, they are wary of the menace to domestic and international security that Qadhafi poses. The Libyan leader's September threats against military bases in the Mediterranean are still too fresh in their minds for them to believe—as their northern neighbors do—that Qadhafi's behavior has been more moderate of late. 25X1

At the same time, proximity and economic complementarity have fostered close economic ties between Libya and these four states. In the first half of 1981, each of the four received a significant share of its oil imports from Libya. During the same period, Libya took 4.7 percent of southern exports, compared with 0.7 percent of northern overseas sales. The Mediterranean states have been the major beneficiaries of the latest Qadhafi spending spree, which this year led to a 45-percent increase in Libyan imports from Europe. They may continue to profit on this scale, although Libya's poor revenue outlook suggests that Tripoli will be unable to continue increasing imports at such a pace much beyond 1982. Tripoli already is reported to be restricting imports of consumer items. While the Europeans have not voiced concern about the ramifications of Libya's cash-flow problems, they continue to denounce Tripoli's record of slow payment. 25X1

Tripoli Values European Links

Tripoli values Western Europe both as a supplier for Qadhafi's ambitious military and economic development plans and as an export market for Libyan crude. In 1980 the Big Four European countries—West Germany, France, Italy, and the United Kingdom—filled half of Libya's import needs. Italy alone captured one-fourth of the Libyan import market. Libya received an additional 15 percent of its imports from the smaller European countries. Moreover, West European banks are important repositories for Libyan assets. As much as $9 billion in Libyan funds was on deposit there at midyear. During 1980 Libya earned $11 billion—almost half of its total revenues—by selling oil and natural gas to Western Europe. Europe's reliance on Libyan oil (recently about 7 percent of European oil imports) showed signs of declining beginning in the third quarter of 1981, as several countries shifted to less costly suppliers. By mid-1982, when oil demand in industrialized countries is expected to pick up, Libyan crude shipments to Europe are likely to increase again. 25X1

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Figure 2

Share of West European Exports Purchased by Libya

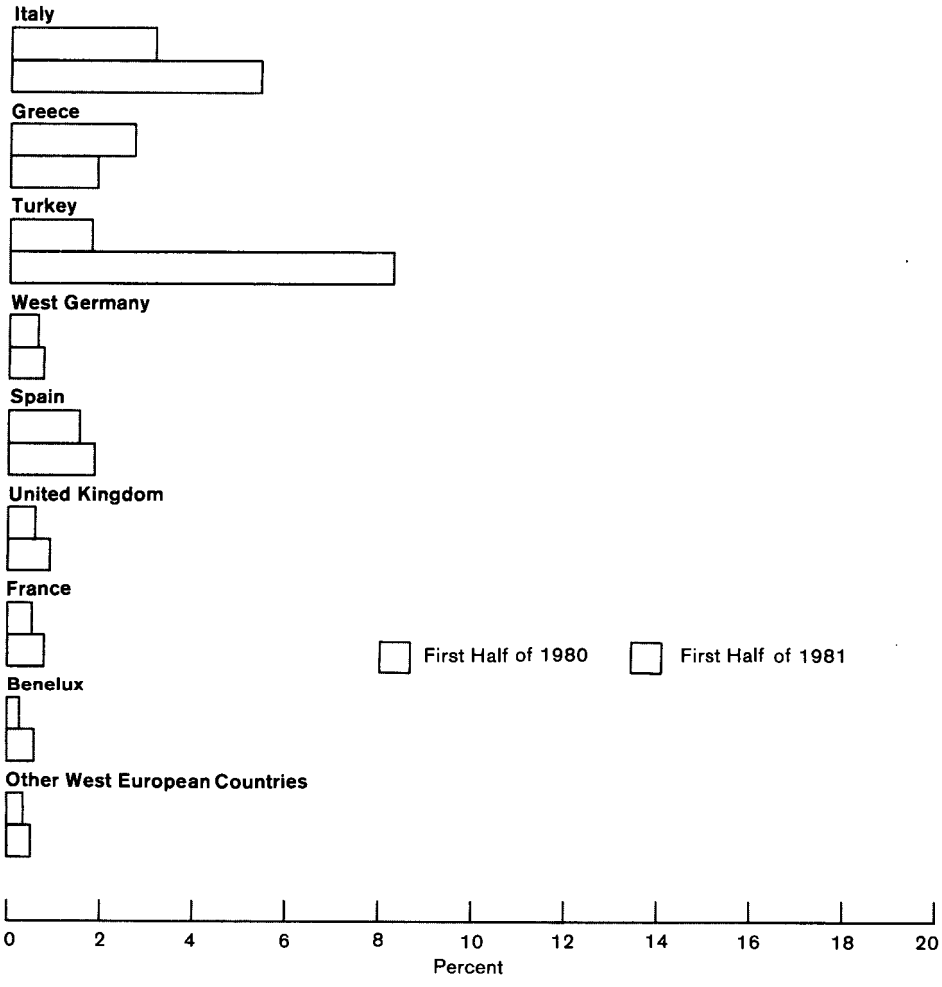

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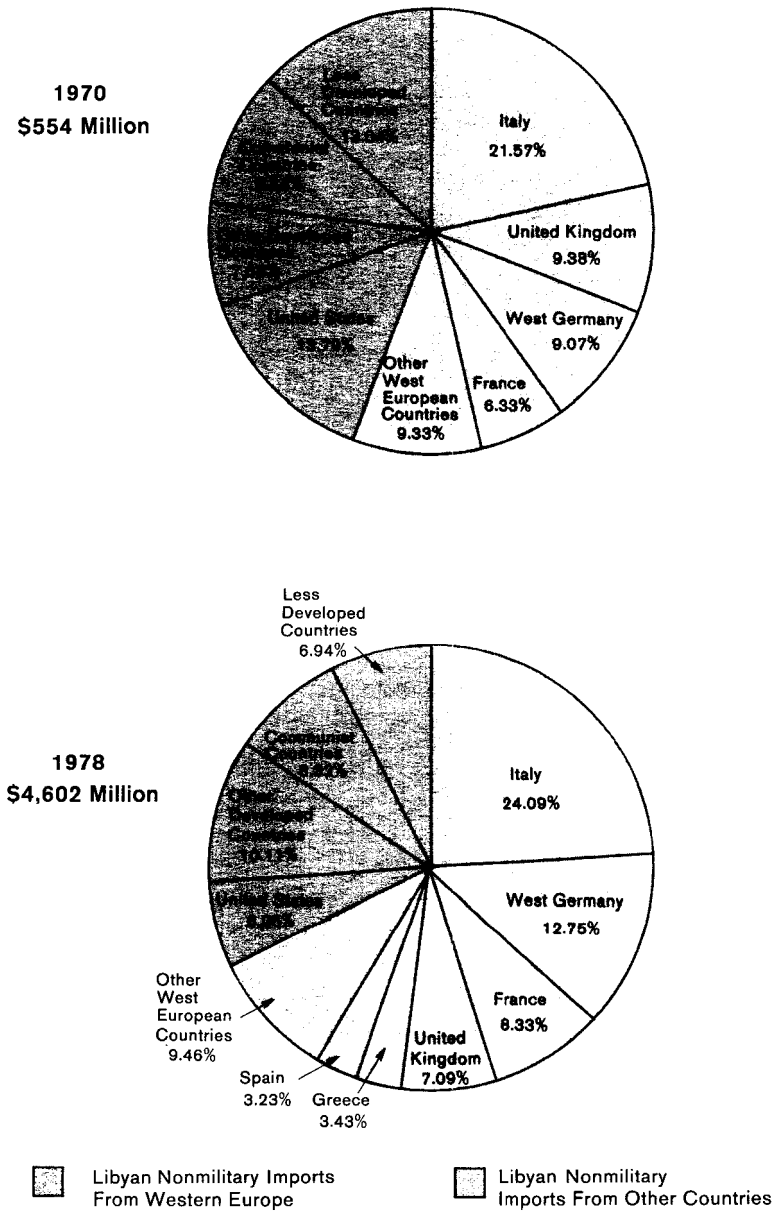
Figure 3

Geographical Composition of Libyan Nonmilitary Imports



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The "Northern Tier"

France has a history of problems with Libya, largely because of competing interests in Africa. The French see Qadhafi as unpredictable and often irrational, and they are deeply suspicious of his intentions and activities. At the same time, they assert that his importance in global or regional politics should not be exaggerated. They do not view Qadhafi as a pawn of the Soviet Union, although they believe he has acted on occasion to serve specific Soviet foreign policy goals. The French believe that Qadhafi's behavior can be moderated by the warnings and incentives they are now issuing. 25X1 25X1

France's major interest regarding Libya is to deter further meddling in former French colonies. The Mitterrand government has pursued this goal quietly and pragmatically, portraying its accession to power as an opportunity to improve relations between the two countries—if the Libyans satisfy certain conditions. The French Government told Qadhafi several months ago that normalization was possible if Libyan troops left Chad and if the French Embassy in Tripoli—sacked by a mob in 1979—were restored. The French believe that these conditions are being met. The Political Director of the Ministry of Foreign Affairs visited Tripoli in early December, signaling that relations were returning to normal. 25X1

From the French perspective, which is focused largely on Africa, Qadhafi has moderated his behavior in recent months. Paris attributes this to Qadhafi's desire to improve his image among the Africans, to prevent cancellation of the OAU summit to be held in Tripoli next summer, and to have good relations with Western Europe. The recent public statements by French officials that Libya is no longer involved in undermining African governments probably reflects a wish to give Qadhafi credit for what the French hope is a new policy direction. 25X1

The French realize that their willingness to improve the dialogue with Libya clashes with the US approach, and they are concerned that the deterioration in US-Libyan relations could undermine their policy at a sensitive moment for their own interests in Africa. Like French governments for the past two decades, the Mitterrand administration believes that division of the world into blocs is not in French or Western interests. The government argues that "bad" countries—such as Libya—should not be purposely isolated from the West and thereby forced into the Soviet camp. They also worry that treating Qadhafi as a pariah might provoke him to further excesses. 25X1

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Paris has told the United States that it will fulfill contracts with Libya for military equipment ordered under the previous French Government, but will slow down deliveries. The government has said that it plans no further weapons deals with Tripoli. The French probably would require evidence of sustained satisfactory conduct on Qadhafi's part before changing that policy. 25X1

The French attitude about other sales to Libya—including some with possible military applications—reflects traditional skepticism about economic sanctions. The French have contended over the years that embargoes are easily circumvented and hurt the exporting country more than the target country. Although the volume of French exports to Libya is low, some sales are in sectors—such as aerospace—that the government wants to promote. Paris probably will continue to resist suggestions that it should prevent sales of items such as the French–British–West German Airbus, 10 of which are being sold to Libya. 25X1

Libyan oil constitutes only a small fraction of France's overall oil imports. Hence the oil factor probably has little impact on French policy. 25X1

The *West German* Government has developed fairly smooth relations with Libya during the past few years and hopes that this situation will continue. The West Germans see Qadhafi as eccentric and probably mentally unstable. They also concede that he is influenced by the Soviets, but they believe that he is motivated at least as strongly by his vision of Arab nationalism. In the West German view, Qadhafi has often resisted Soviet pressures because he senses conflicts between Soviet policies and Arab political and religious goals. The West Germans share the general West European perception that Libya would be a greater menace to Western security if it were totally in the Soviet camp 25X1

Recently the West Germans have been guardedly optimistic about Libya. The Foreign Ministry has suggested to US officials that Qadhafi may soon discard the use of assassination squads and other terrorist tactics. The West Germans have even contended that Qadhafi might be won over to the West through political maneuvering and conciliatory gestures. 25X1

One of Bonn's goals in maintaining relations with Libya has been to curtail Libyan violence in West Germany. To this end, the Minister of Interior has cultivated a working relationship with the chief of Libyan security, and the West German national criminal police authority has at times included Libyan officers in its antiterrorist training courses. The government believes that its policies have had a moderating effect on Qadhafi. 25X1

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West Germany's policy toward Libya is shaped more by political than economic considerations. Sales to Libya constituted only 0.65 percent of total exports in 1980. Although the West Germans do not permit military hardware to be exported to Libya, they have shown no willingness to restrict sales to that country for political or strategic reasons. 25X1

Approximately 15 percent of West Germany's crude oil imports came from Libya in 1980, and the government is not trying to reduce that figure. Although a cutoff of Libyan supplies would inconvenience West Germany, the oil could be replaced from other sources. 25X1

The *British* Government is trying to improve relations with Tripoli, which reached a low point last spring when London expelled Libyan diplomats. London claims that Tripoli has promised a cessation of violence against Libyan dissidents in the United Kingdom. During a recent House of Lords debate on policy toward Libya, a government spokesman asserted that a constructive dialogue with the Libyans boded well for the future. While the belief that it is unwise to isolate Libya led to a reevaluation of British policy regarding Tripoli, London's assessment of Qadhafi has not changed. The Thatcher government continues to regard the Libyan leader primarily as an independent force obsessed with a messianic determination to export revolutionary principles. It believes, however, that Libya's ties with the Communists are rooted in a determination to destroy Israel rather than in anti-Americanism. London continues to voice fear that any further Western pressure risks pushing Qadhafi firmly into the Soviet camp. 25X1

Although economic ties currently are minimal, Britain is anxious to expand markets for its goods, and thus opposes restrictions on trade with Libya. Sales to Libya—even though up over last year—accounted for less than 1 percent of British exports in the first half of 1981. As relations between the two countries worsened over the past three years, government-sanctioned arms sales declined dramatically. Nonetheless, the British—together with the French and the West Germans—appear determined to follow through on the Airbus sale and they probably will resist any US pressure to block it. As a producer of oil similar to North African crude and a net oil exporter, the United Kingdom has little need for Libyan oil. 25X1

The *Benelux* governments generally are no more willing than the larger West European countries to toughen their political or economic stance toward Libya. Secure in the knowledge that EC members would not agree to a tougher policy in present circumstances, spokesmen have told US officials that their countries would go along with any trade restrictions the EC might impose. The Benelux countries frequently repeat the belief common in West European political circles that isolating Libya would be a mistake. 25X1

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Belgian firms currently sell a wide variety of small arms, munitions, and mines to Libya. In late October, the Belgians told the United States that they would fulfill existing contracts but were not inclined to license further arms sales as long as the Libyans were in Chad. The Libyan withdrawal, however, makes a cutoff of Belgian weapons uncertain at best. The Belgian Government might still be persuaded to refuse export licenses for weapons, especially if the French do so, but Brussels seems at least equally likely to plead impotence or argue that continued sales give the West leverage against Qadhafi. 25X1

The chances that Belgium would place restrictions on spare parts for airliners appear even smaller. Only a higher level of Libyan aggressiveness might persuade the Belgians to restrict sales of "civilian" products. 25X1

The Netherlands also is skeptical about the wisdom and usefulness of restricting the export of nonmilitary items to Libya. Moreover, in response to US demarches, Dutch officials have claimed that they have no legal authority to stop sales of aircraft. Like the Belgians, they are unlikely to toughen their policy under present circumstances. 25X1

Luxembourg has some importance to Libya because it has been used in circumventing US laws when Libya has purchased US-made aircraft. There are indications that officials of both Cargolux—a private airline—and the government have accepted Libyan bribes either to assist or ignore the activities. Government leaders, aware of this problem, have assured the United States that steps are being taken to solve the problem, although the Foreign Minister recently expressed annoyance at continued US pressure regarding this issue. 25X1

The "Southern Tier"

A range of economic and political concerns helps shape *Italy's* policy toward its former colony. At one end is the concern that bilateral problems might endanger access to Italy's largest non-European market and might tempt Qadhafi to hold hostage the more than 20,000 Italians working in Libya. At the other end is a conviction that Italy has a special role to play for the West in Libya—a country Rome sees as logically falling into its sphere of influence. Italian leaders believe that the relationship serves as a brake on Qadhafi and as a counterweight to Soviet influence. If a genuine crisis developed over Libya, Rome would like to be able to play at least a mediating role. Over the longer term, the Italians see themselves as laying the groundwork for relations with a post-Qadhafi government. 25X1

Italy has been one of the main beneficiaries of Qadhafi's recent spending binge. Libya's share of total Italian exports rose from 3.1 percent in the first half of 1980 to 5.4 percent during the period of January to June 1981. Sectors where sales to Libya amount to at least 10 percent of total exports

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include trucks, grain, and civil engineering services. Tripoli has also been one of Italy's best customers for military equipment, buying $840 million worth since 1976. This may change if Defense Minister Lagorio's statement in September that Italy will not approve any additional sales of weapons to Libya is translated into government policy. To date, however, no other Italian Cabinet member has backed Lagorio. Even if policy on arms sales does not change, expansion of sales to Tripoli will continue to be hampered by many firms' reliance on components manufactured under US license. 25X1

During the 1970s both market forces and conscious policy decisions led to a sharp reduction in Italian dependence on Libyan energy supplies. Libya slipped from being Italy's largest energy supplier at the beginning of the 1970s to third place—after Saudi Arabia and the Soviet Union—in 1980. This trend is likely to continue during the 1980s, with additional energy needs being met primarily by Algerian, Nigerian, and Soviet natural gas, and by US coal. Although ENI—the Italian national energy concern—is a partner with the Libyan National Oil Company in one concession, it halted purchases of Libyan crude from August through November 1981. The ENI decision was spurred not only by the high cost of Libyan oil, but also by a desire to exploit Saudi willingness to resume state-to-state oil dealings after a two-year hiatus. With ENI now planning to resume liftings at previous levels, Libya will once again supply about 13 percent of Italian oil imports—approximately one-tenth of total domestic energy requirements. 25X1

More worrisome to most Italians than the magnitude of current economic ties are Qadhafi's attempts to use Libya's oil wealth to purchase economic and political influence in Italy. Key targets so far have included:

- Fiat, in which Libya purchased a 10-percent stake in 1976.
- Sicily, where Qadhafi hopes to foment anti-NATO sentiment.
- The Italian Socialist Party, which is a member of the current government coalition.

The Libyan leader has had only limited success in this regard, but Italian concerns have been heightened by the broad and colorful coverage the press has given Qadhafi's efforts. 25X1

The *Turkish* Government also perceives Qadhafi as a threat to domestic stability. Underlying Ankara's fears are:

- A belief that Libya probably was involved in fueling sectarian differences in Turkey before the military takeover last year.

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- Concern that Qadhafi will try to export his version of Islamic fundamentalism to Turkey.
- Fear that Qadhafi will target NATO bases in Turkey in retaliation for any incidents similar to the one in the Gulf of Sidra.

The Turks are aware, however, that their economic dependence on Libya leaves them with little leverage. This dependence increased markedly in 1981, as exports to Libya soared 670 percent—making Libya Turkey's third-largest overseas market. Sales to Libya provided $280 million of badly needed foreign exchange during the period of January to September. The estimated 80,000 Turks working in Libya also eased balance-of-payments difficulties by remitting perhaps as much as $200 million in 1981. Deputy Prime Minister Ozal's visit to Tripoli in November highlighted the importance of these economic ties and provided an opportunity to:

- Discuss Libyan arrears on payments to Turkish companies.
- Sign a preliminary agreement on a $500 million Islamic holding company, which would invest in Turkish-Libyan joint ventures.
- Renew an oil contract of 50,000 barrels per day (b/d), which in 1980 supplied 18 percent of Turkey's total oil imports—9 percent of its total energy consumption. 25X1

Prime Minister Papandreou's desire to strengthen *Greek* ties with all Arab states influences Athens' policy toward Libya. Papandreou hopes to encourage further Arab investment in Greece, strengthen trade ties, and win Arab backing in Greece's disputes with Turkey. Despite such aspirations and Tripoli's attempts to cultivate Papandreou by emphasizing Mediterranean cooperation and by contributing a small quantity of funds to his election campaign, Libyan-Greek political relations are not close. If Greek-Libyan relations should deteriorate, the health of the Greek economy would not be unduly jeopardized, even though Greece got 12 percent of its crude oil imports from Libya in 1980. Exports to Libya that year totaled $168 million, 3 percent of total overseas sales. 25X1

While the current *Spanish* Government is not as anxious about offending the Arabs as its predecessor, fear of endangering trade ties with Arab countries continues to color Spanish policy. Libya is not an important export market for Spain but remains a significant energy supplier. The 100,000 b/d of Libyan crude and other products Spain bought in 1980 represented 9 percent of total purchases. Libya also supplies half of Spain's limited natural gas import requirements 25X1

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Outlook

West European leaders believe that the United States has overreacted in recent months to what admittedly has been serious Libyan provocation, and they hope to see a deescalation of the war of nerves between Washington and Tripoli. Unless they see clear signs that Qadhafi represents more of a threat to their interests than they now believe he does, their reaction to US requests for cooperation against Libya is not likely to be positive. The northern countries probably will feel compelled to continue distancing themselves rhetorically from Washington's position. The southern countries, meanwhile, will be confirmed in their passive resistance to US blandishments, fearful of the unpredictable Qadhafi's reaction to US pressure. Unless Libyan policies appear to change drastically for the worse, Western Europe will continue its efforts to expand exports to Libya. Some northern governments might even consider new arms contracts with Libya if their current perception of Libyan "moderation" persists for a period of months. They would weigh carefully, but ultimately might disregard, US protests. 25X1

A Libyan attack on US leaders or major US interests probably would evoke a West European reaction similar to that in the Iran hostage crisis. While the West Europeans would continue to disagree privately with US strategy toward Libya, the importance they attach to standards of international practice and their interest in good relations with the United States would lead them to condemn the Libyan action both unilaterally and in international forums. If pressured, they would cooperate on sanctions, but as in the Iran crisis, these probably would not be as broad or as long lasting as Washington would like. There would be no question of taking military steps against Libya in the NATO context; the Allies firmly believe that NATO should not involve itself outside the European area. Bilateral military cooperation against Libya also would be highly unlikely. 25X1

A Libyan action that was perceived as less serious than an attack on US officials, for example attachment of US assets, would provoke a much weaker response. West European governments probably would confine themselves to disapproving statements, while perhaps trying to play a mediating role. Governments also would react cautiously if a violent act occurred about which there was suspicion—but not proof—of Libyan involvement. 25X1

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A Libyan attack against the leaders or vital interests of a major West European country—which appears highly unlikely under present circumstances—would evoke a strong response from that country. The EC would have difficulty in refusing a request from the injured party for economic sanctions. Libyan action against West European property or economic interests, or increased adventurism in Africa, might interrupt and for a time reverse the process of diplomatic normalization between Western Europe and Libya, but it probably would not entail action by the EC as such. 25X1

Even a violent Libyan act would not be viewed as presaging a state of permanent hostility. The West Europeans would expect that eventually the processes of diplomacy would resume and that Libya would once again come to be treated as an acceptable interlocutor because of its role in the power balance in Africa and the Middle East. 25X1

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